

**BEFORE THE POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001**

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**Annual Compliance Report, 2013**

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**Docket No. ACR2013**

**REPLY COMMENTS OF PITNEY BOWES INC.**

(February 14, 2014)

Pitney Bowes Inc. (Pitney Bowes) respectfully submits these reply comments in response to the comments filed by the Greeting Card Association (GCA) opposing the new metered letter rate category within First-Class Mail single-piece letters.<sup>1</sup>

GCA urges the Postal Regulatory Commission (Commission) to require the Postal Service to produce additional information and narrative explanations regarding the metered letter rate category in its FY 2014 annual compliance report. GCA Comments at 1. GCA asserts that this additional information is necessary to “justify” what otherwise must be “condemned” as an “unjust and unreasonable,” “non-functional,” and “irrationally-designed rate structure.” *Id.* The Commission should decline GCA’s invitation.

GCA fails to explain how its list of demands are related to or required by the relevant statutory or regulatory reporting requirements in connection with the annual compliance report. *See* 39 U.S.C. § 3652;<sup>2</sup> 39 C.F.R. §§ 3050 *et seq.* In fact, there is no support in the statute or regulations for GCA’s request. The statutory and regulatory reporting requirements are detailed and comprehensive. *See id.* The Commission may request additional information, but the

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<sup>1</sup> *See* Initial Comments of the Greeting Card Association (Jan. 31, 2014) (GCA Comments).

<sup>2</sup> *See* Pub. L. 109-435, 120 Stat. 3198 (Dec. 20, 2006). The Postal Accountability and Enhancement Act (PAEA) amends various sections of title 39 of the United States Code. Unless otherwise noted, section references in these comments are to sections of title 39.

information requested must relate to the Commission's statutory compliance function. *See* 39 C.F.R. § 3050.3.

The Commission has already held that the Postal Service has satisfied the filing requirements for a proposed classification change.<sup>3</sup> And the Commission has acknowledged that the Postal Service has explained how the metered letter rate category helps achieve the objectives listed in section 3622(b) and properly takes into account the factors listed in section 3622(c).<sup>4</sup>

As a matter of policy, the Postal Service should enjoy greater, not less, pricing flexibility when it establishes a pricing differential of this nature. GCA's suggestion that the Postal Service bears a heavier burden in these circumstances is fundamentally at odds with the pricing flexibility afforded to the Postal Service in the PAEA. GCA's specific demands also fall wide of the mark.

The metered letter rate category is not a workshare discount; thus, GCA's assertion that the pricing differential must be justified on the basis of cost savings fails. GCA Comments at 2. GCA's concern regarding the potential for "reduced revenue" ignores the fact that the total cap authority the Postal Service can collect from First-Class Mail is unaffected by the price differential between stamped and metered letters. *Id.*

GCA's demand that the Postal Service bear a burden of showing a "marked upturn" in meter usage or a "marked increase" in volumes must also be rejected. *Id.* These metrics have no connection to any statutory compliance requirement. GCA's demand runs directly counter to the PAEA's objective to "reduce administrative burden."<sup>5</sup> GCA invents a Herculean task wishfully hoping to discredit the metered letters rate category.

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<sup>3</sup> *See* Dkt. No. R2013-10, Order No. 1890 (Nov. 21, 2013) at 50-51.

<sup>4</sup> *See id.*

<sup>5</sup> *See* 39 U.S.C. §3622(b)(6).

GCA's demand for a more fulsome explanation of what it deems an "irrational structure of the differential" fails on two levels. *See* GCA Comments at 2. First, the Postal Service has already provided the Commission an explanation for applying the differential at each ounce increment. That GCA would have designed the structure differently does not make it "irrational" or, more importantly for purposes of the Commission's annual compliance determination, "noncompliant."<sup>6</sup> Second, GCA objects to the rate structure because it believes the differential at different weight increments is not sufficiently cost-based. *See* GCA Comments at 2. Even assuming GCA is correct, the objection is irrelevant. Because the metered letters rate category is not a workshare discount, the Postal Service has pricing flexibility to consider design elements other than cost; here it prioritized "predictability and simplicity of structure."<sup>7</sup>

The notion that a price differential within First-Class Mail single-piece letters is inherently violative of section 3622(b)(8) does not withstand scrutiny. *See* GCA Comments at 1. Under the PAEA market dominant products are protected from excessive price increases by the CPI price cap. The price cap applies at the class level, not at the product or rate category level. The Postal Service has the pricing flexibility to adopt non-uniform price increases within a class. In fact, section 3622(b)(8) expressly permits price changes of "unequal magnitude within . . . classes of mail."

The establishment of a metered letters rate category is also consistent with Commission Order No. 1320, in which the Commission observed:

[T]here does not appear to be any obvious legal barrier to the Postal Service exercising its pricing flexibility by setting the rate for the metered mail Base Group at a different level than the remainder of single-piece First-Class letters.<sup>8</sup>

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<sup>6</sup> *See* Dkt. No. R2013-10, Response of the United States Postal Service to Chairman's Information Request No. 6, Questions 1-2 (Oct. 29, 2013) question 2.

<sup>7</sup> *Id.*

<sup>8</sup> Dkt. No. RM2010-13, Order No. 1320 (Apr. 20, 2012) at 11, n.22.

Finally, the idea that there is something inherently unjust or unreasonable about channel-based pricing ignores the fact that these types of pricing differentials are well established. As noted by the Postal Service, many European posts recognize the value of channel-based pricing; the U.S. market has been slow to evolve.<sup>9</sup>

For the reasons cited above, Pitney Bowes respectfully urges the Commission to decline GCA's invitation to impose additional and unwarranted reporting requirements on the Postal Service or to condition the approval of the metered letters rate category as part of its FY2013 annual compliance determination.

Respectfully submitted:

/s/  
James Pierce Myers  
Attorney at Law  
320 South West Street, Suite 110  
Alexandria, Virginia 22314  
Telephone: (703) 627-5112  
E-Mail: jpm@piercemyers.com

Michael F. Scanlon  
K&L GATES LLP  
1601 K Street, NW  
Washington, DC 20006  
Telephone: (202) 661-3764  
E-Mail: michael.scanlon@klgates.com

Counsel to PITNEY BOWES INC.

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<sup>9</sup> See Dkt. No. R2013-10, Response of the United States Postal Service to Chairman's Information Request No. 6, Questions 1-2 (Oct. 29, 2013) question 2.